Report to Congress
Pursuant to Public Law 106-113

Public Law 106-113, an act making consolidated appropriations for the fiscal year ending September 30, 2000, states that the "Office of Net Assessment in the Office of the Secretary of Defense, jointly with the United States Pacific Command, shall submit, through the Under Secretary of Defense (Policy), a report to Congress no later than 270 days after the enactment of this Act which addresses the following issues:

> (1) A review of the operational planning and other preparations of the United States Department of Defense, including but not limited to the United States Pacific Command, to implement the relevant sections of the Taiwan Relations Act since its enactment in 1979; and
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> (2) A review of evaluation of all gaps in relevant knowledge about the People's Republic of China's capabilities and intentions as they might affect the current and future military balance between Taiwan and the People's Republic of China, including both classified United States intelligence information and Chinese open source writing. The report shall be submitted in classified form, with an unclassified summary."

The report, submitted in response to Public Law 106-113, addresses relevant sections of the Taiwan Relations Act and gaps in knowledge regarding the current and future security situation in the Taiwan Strait. Specifically, the report addresses U.S. provision of defense articles and services to meet Taiwan's legitimate defense needs, U.S. capacity to respond to the use of force against Taiwan, and challenges associated with assessing the security situation in the Taiwan Strait.

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EXECUTIVE SUMMARY OF
REPORT TO CONGRESS ON
IMPLEMENTATION OF THE TAIWAN RELATIONS ACT

The TRA stipulates that "the United States will make available to Taiwan such defense articles and services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability." The TRA states that "the President and Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan, in accordance with procedures established by law." The TRA further asserts that "such determination of Taiwan's defense needs shall include review by United States military authorities in connection with recommendations to the President and the Congress." Section 2(b) states:

> It is the policy of the United States to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States; to provide Taiwan with arms of a defensive character; and to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people of Taiwan.

The United States takes its obligation to assist Taiwan in maintaining a self-defense capability very seriously. This is not only because it is mandated by U.S. law in the TRA, but also because it is in our own national interest. As long as Taiwan has a capable defense, the environment will be more conducive to peaceful dialogue, and thus the whole region will be more stable. The United States actively monitors the security situation in the Taiwan Strait, and provides articles and services to Taiwan to ensure it can maintain a sufficient self-defense capability. This section of the report will discuss these activities in more detail.

In assessing Taiwan's defense needs, the Department of Defense has dedicated significant resources over the past two decades to monitoring the security situation in the Taiwan Strait. We have an active unofficial dialogue with Taiwan's defense authorities to better understand their current capabilities and future requirements. Additionally, through engagement with the People's Republic of China (PRC), and dialogue with the People's Liberation Army (PLA), we gain clearer insights into Chinese military capabilities and intentions. We continue to improve our efforts in all areas to assess the security situation in the Taiwan Strait.

Through provision of carefully selected defensive articles and services, we have helped Taiwan maintain a sufficient capacity to defend itself. Among the defensive systems Taiwan has acquired from the U.S. in recent years are F-16 fighters, Knox-class frigates, M-60A tanks, and the Modified Air Defense System--a Patriot system derivative.

We continually reevaluate Taiwan's defense posture to ensure that we make available to Taiwan such items as will provide a sufficient self-defense capability. Our arms sales policy aims to enable Taiwan to maintain a self-defense capability, while also reinforcing regional stability. We avoid introducing capabilities that would go beyond what is required for Taiwan's self-defense.

As part of our policy to ensure that we provide appropriate defensive capability to Taiwan, President Clinton in 1994 initiated a policy review that, among other things, expanded our non-hardware programs with Taiwan. These programs focused on such areas as defense planning, C4I, air defense, maritime capability, anti-submarine warfare, logistics, joint force integration, and training. These non-hardware programs serve multiple purposes. Functional non-hardware initiatives address many of the shortcomings in Taiwan's military readiness that were identified in the February 1999 *DoD Report to Congress on the Security Situation in the Taiwan Strait*. They allow Taiwan to better integrate newly acquired systems into its inventory and ensure that the equipment Taiwan has can be used to full effectiveness. These initiatives provide an avenue to exchange views on Taiwan's requirements for defense modernization, to include professionalization and organizational issues, and training. Exchanges and discussions enhance our ability to assess Taiwan's longer term defense needs and develop well-founded security assistance policies. Such programs also enhance Taiwan's capacity for making operationally sound and cost effective acquisition decisions, and more importantly, to use its equipment more effectively for self-defense.

The TRA obliges us to maintain the United States' capacity to resist any resort to force or coercion that would jeopardize the security of Taiwan. This obligation is consistent with America's overall strategy in the region, our commitment to peace and stability, and our regional

military posture. The Administration's commitment to maintaining approximately 100,000 troops in the region for the foreseeable future is well-known and widely appreciated throughout the region. The presence of 100,000 U.S. military personnel represents the capabilities of the U.S. Eighth Army and Seventh Air Force in Korea, III Marine Expeditionary Force and Fifth Air Force in Japan, and the U.S. Seventh Fleet.

As has repeatedly been stated publicly, it is the policy of the United States to consider any effort to determine the future of Taiwan by other than peaceful means, including boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the U.S. We demonstrated our commitment to maintaining regional peace and stability in the Taiwan Strait by deploying two carrier battle groups to the region in response to provocative PRC missile exercises in 1996.

GAPS IN KNOWLEDGE REGARDING THE PRC-TAIWAN MILITARY BALANCE

This section of the report discusses gaps in our knowledge regarding the current and future security situation in the Taiwan Strait. By describing what a net assessment of the military balance in the Taiwan Strait would include and how it would be structured it suggests what kinds of gaps in our knowledge are most important. It should be noted that any assessment of a military balance would by its nature have major unresolved uncertainties.

The Content and Structure of a PRC-Taiwan Assessment

An assessment of the PRC-Taiwan balance would begin with an attempt to delineate the subject matter, i.e., who are the relevant parties, and what are the plausible contingencies of interest. The focus of an assessment depends on its intended audience. In an assessment for U.S. defense planners, we need to identify the U.S. goals at stake in this situation, and determine how to measure the adequacy of the military balance in view of those goals. A second section of the assessment would describe and compare key trends and asymmetries in the military capabilities of the parties to the balance. A third section would assess whether U.S. peacetime objectives—deterring conflict and shaping the behavior of the parties—are adequately served by the balance of capabilities. A fourth section would assess the likely outcome of conflict if deterrence fails, including both the immediate military result and the broader political effects of that result. Two more sections would summarize major findings and formulate the key strategic management issues that the assessment raises for top Defense officials. Since these final sections would mainly draw out implications from the earlier sections, the discussion of knowledge gaps in this report will be organized around the first four topics mentioned.

Defining the PRC-Taiwan Balance

The PRC claims that Taiwan is an inalienable part of China and has reserved the right to use force to unify Taiwan with the mainland if Taiwan declares independence, if Taiwan is occupied by a foreign country, if it acquires nuclear weapons, or if Taiwan indefinitely refuses the peaceful settlement of cross-Strait reunification through negotiation. U.S. policy opposes any use of force to settle this dispute. A net assessment must therefore focus on the military options that Beijing might exercise against Taiwan, and on the military capabilities relevant to the contingencies that those options would create. In addition to the forces of the PRC and Taiwan,

we would need to consider the role of U.S. forces in deterring the use of force or in assisting Taiwan if deterrence fails. The Soviet Union was in the past another relevant actor, initially as an ally of the PRC and later as a competing focus of Chinese military attention. The possibility of a coinciding military crisis on the Korean peninsula would also shape PRC and U.S. calculations. Other regional countries should also figure in the analysis, at least insofar as their reactions to a Taiwan contingency would be important to China and the United States.

It appears that several broad classes of military contingency are possible. First, the PRC could launch an invasion of Taiwan (or an offshore island), using amphibious or other sea or air transported forces. Second, Beijing could try to impose a blockade on Taiwan's commerce as a means of coercing political concessions. Third, the PRC could try to coerce Taiwan by means of air or missile strikes on Taiwan's population, military assets, or economic infrastructure. Associated with each of these options would be some Chinese strategy for avoiding, discouraging, forestalling, or reacting to a possible U.S. intervention on Taiwan's side.

An assessment of the military balance for U.S. defense planners must begin from actual or assumed U.S. goals. The fundamental question for assessment is whether the military balance is or is not satisfactory in relation to those U.S. goals. The overarching U.S. goal is to avoid any use or threat of force to resolve differences in the Taiwan Strait. Thus, our goals include that the PRC be persuaded against or deterred from attacking or threatening attack, that if a threat is made it is unavailing, and that if an attack is made it is unsuccessful. In the latter case, our goal would be that Taiwan defend itself without outside assistance—or, as a fallback, that it defend itself long enough to permit outside assistance, and that the combination of Taiwan and U.S. forces defeat a PLA attack on Taiwan, should the U.S. decide to intervene.

Moreover, we have goals associated with the outcome of any conflict, apart from the primary goal of defending Taiwan against unprovoked attack. We would want any U.S. intervention to reassure other allies and friends and discourage other aggressions, strengthening or at least not weakening our future military relations in the region. Finally, we seek to avoid in peacetime the erosion of our capacity to assist Taiwan in the future.

From this starting point, an assessment would identify and analyze the trends and asymmetries that may change or affect our ability to achieve these goals given the variety of possible Chinese military operations; and then focus specifically on the adequacy of deterrence and the likely outcome of any conflict if deterrence fails.

Trends and Asymmetries

To assess the present and future military balance, we need to depict trends in those military capabilities most decisive for each of the conflict scenarios. Ideally, we would want to judge how each scenario would play out if it happened today, or some time in the next 5 or 10 or 20 years. Given the difficulty of making any absolute judgment on likely war outcomes, it is useful to determine at least the direction of any change in the situation: are China's or Taiwan's relative capabilities for these various scenarios getting better or worse? Accordingly, we would want to trace trends in capabilities over the past 20 to 40 years, as well as project those trends into the future.

A starting point is to track changes over time in the number, technical quality, and stationing of each party's weapons and equipment, including ground, air, sea, amphibious, air defense and missile forces. For the PRC and the United States, judgments would be needed on which part of the country's overall force could or would play a timely part in a Taiwan scenario; for Taiwan, all available forces would be considered likely to be engaged. We would also need to describe trends in each side's training, exercises, doctrine, and logistics, looking for indications of relative change in capability or changes in the kinds of military operations envisioned or emphasized. Training and doctrine will be important indicators of the actual competence of each side's military forces. For the United States, we would need to consider trends in forward deployment and basing patterns, airlift and sealift capabilities, and the political context that makes U.S. intervention more or less likely in fact, and more or less likely in the PRC's perception. Trends in other countries are also relevant, such as the shift over time from a Soviet-Chinese alliance, to a Soviet-Chinese competition, to a post-Soviet Russia with reduced military forces.

The focus of a study of trends would be to track relative changes in a manageable number of military capabilities that appear most important for deterrence and war outcomes. While tracing the development over time of each of these capabilities or competitions (e.g., "air vs. air defense"), we would also need to consider whether the list of which capabilities are most important is itself changing. We also need to identify changes over time in the vulnerabilities of each side that might facilitate the other side's operations.

Asymmetries to be considered are important differences between the forces, doctrines, geographical and political situations, and strategic and political calculations of the several parties to this conflict. Such asymmetries, some of which are obvious in the PRC-Taiwan case, strongly affect how a military "balance" between dissimilar actors should be assessed.

Shaping and deterrence

To judge whether the military balance adequately deters Beijing, we need to understand how the Chinese authorities assess the situation. Whether or not we or a hypothetical observer would think the consequences of their initiating a blockade, invasion, or strikes against Taiwan are promising or discouraging is not really sufficient for our purposes if China's rulers see it differently.

Similarly, our ability to influence Taiwan's security posture depends on understanding their assessments, including their assessments of our—and of China's—likely behavior and capabilities.

Contingency outcomes

We cannot expect to predict confidently the outcome of a military conflict. The best approximation would be to consider systematically a range of plausible scenarios, relying on war gaming and experienced military analysts to judge the likely outcome given the forces, levels of training, and operational methods of all parties. We would want to game the conflict that follows from each presumed Chinese operational plan (invasion, blockade, strike) not only for the

present situation, but for the forces we project for the future; and the games should be repeated, with different players who would test a variety of operational plans and options.

Where are the Gaps in Knowledge?

For each of the major topics of assessment just outlined, there are a number of more specific subjects on which better information would be very useful. In some cases, we are unlikely ever to obtain exactly the information we would want. If some knowledge gaps cannot be corrected, it is at least advantageous to be aware that they exist. In general, three kinds of gaps stand out.

First, we need to know more about how the authorities in the PRC and Taiwan view their military and political situation—in order to identify the most important conflict scenarios and hence the capabilities central to them; in order to assess whether the balance of forces adequately deters Chinese attack and reassures Taiwan; and in order to understand how both sides' calculations of priority, risk, and military capability would shape the course and outcome of a conflict. We are unlikely to be able to replicate their precise views on this military balance, but we probably can learn much more about both sides' ideas about statecraft, their approaches to the use of force, their perceived vulnerabilities, and their preferred operational methods, as well as about the political and military organizations that produce military assessments and plans. Second, as might be predicted, we are less knowledgeable about things that are less visible or tangible—training, logistics, doctrine, command and control, special operations, mine warfare—than we are about airplanes and surface ships. Third, although we can identify emerging methods of warfare that appear likely to be increasingly important in the future—particularly missiles and information warfare—we cannot confidently assess how each side's capabilities will develop or the interaction of measures and countermeasures that these emerging military competitions will generate.